



Maryland State Arts Council Economic Impact Report FY2010

Economic Impact of Maryland Arts Organizations Supported by the Maryland State Arts Council

Prepared for Maryland State Arts Council by the
Maryland Department of Business and Economic Development Office of Research

Sources:

Maryland State Arts Council

Maryland Cultural Data Project - Fiscal Year 2010

Department of Business and Economic Development Office of Research

Maryland State Arts Council

An agency of the Department of Business and Economic Development
Division of Tourism, Film and the Arts

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Report Highlights

This report focuses on the economic impact of the 252 arts organizations and programs — nonprofit and tax-exempt organizations, as well as units of government — that received operating support from the Maryland State Arts Council in FY2010. While adapting to the new economic reality, Maryland's arts industry, both arts organizations and arts audiences, continues to provide significant employment and generate substantial tax revenues for Maryland.

- 7.6 million people attended arts events in Maryland in FY 2010 and generated significant economic impacts for the state. One-third attended paid events and two thirds, 5 million people, attended free events. Estimated spending of arts audiences was \$292 million. This spending generated about \$94 million in direct employee income and nearly 4,300 direct jobs statewide.
- The arts industry generated a total of \$501 million in direct spending and a total economic impact of \$1 billion. Arts organizations generated \$209 million in direct spending.
- The number of school children and school groups attending arts activities increased by 23%, from 1.3 million in 2009 to 1.6 million in 2010.
- A total of 10,671 full-time equivalent (FTE) jobs were generated by the arts industry in FY 2010. Total arts related employment generated \$385 million in salaries in FY 2010.
- The Western Maryland region and the Upper Eastern Shore region saw increases in jobs and spending. The Western Maryland Region's arts industry saw increases of 6.6% in FTE jobs and \$1.9 million in direct spending on goods and services. The Upper Eastern Shore also saw increase of 3.9% in FTE jobs and \$800,000 in direct spending.
- In FY2010 arts organizations' earned revenue was more than twice that of FY2009, primarily from organizations with investments portfolios that increased in FY2010 after a severe downturn in 2009. Total contributed support declined 5% from 2009 to 2010, from \$128 million to \$122 million, yet individual donations increased by 12.6% to \$22.6 million, corporate donations by 20% to \$6 million, foundation support by 11% to \$15.7 million.
- Maryland's arts organizations directly generated an estimated \$23 million in selected annual state and local tax revenues in FY 2010 and generated an estimated \$36.5 million in state and local taxes in FY 2010.
- Every \$1 of the arts organizations' operating budgets generates \$3.78 in additional economic activity.



Introduction

The arts play an important role in the quality of life Maryland offers its residents and visitors. Since the arts make our cities and communities better places to live and work, they are often an important factor used by businesses in their decision to locate in Maryland. In addition to their contributions to quality of life in the state, the arts comprise an industry that also generates economic benefits through jobs, spending and tax revenues.

The arts industry, as defined in this report, includes not-for-profit, tax-exempt organizations, as well as units of government that receive funding from Maryland State Arts Council (MSAC). This analysis is based on detailed Fiscal Year 2010 data, utilizing Maryland Cultural Data Project data supplied by the grant recipients receiving ongoing support of their operations and programs in Maryland. These organizations comprise the Council's general operating grant category for arts organizations, and arts program category for non-arts organizations with ongoing arts activities, as well as Maryland's 24 designated arts councils in the 23 counties and Baltimore City. These entities, while not the entire arts industry, clearly are at the core of arts activities in Maryland. Though there are some for-profit theatrical concerns, galleries and other enterprises in Maryland, these are not included in this analysis, as they are not directly supported by the Maryland State Arts Council.

These organizations in this report are grouped into three broad categories: performing arts, visual arts, and multidisciplinary arts organizations. The performing arts organizations include all institutions engaged in theatrical, dance, music, and opera productions. The visual arts organizations consist of all institutions involved in gallery and museum operations, photography, design and film-making activities. The multidisciplinary arts activities consist of all organizations that produce festivals, radio and television programs, folk arts and other institutions that are engaged in more than one type of artistic activity. The multidisciplinary arts organizations also include arts centers and a diverse group of institutions that provide assistance to other artistic activities, e.g., arts and artists' associations, fund-raising organizations, publishing and local arts agencies.

The report also provides impact analysis on a regional basis, drawing on the regional definitions used by the MSAC. The six regions are:

- Western (Allegany, Garrett and Washington counties)
- Central (Anne Arundel, Baltimore, Carroll, Cecil, Harford, and Howard counties and Baltimore City)

- Capital (Frederick, Montgomery, and Prince George's counties)
- Southern (Calvert, Charles and St. Mary's counties)
- Upper Eastern Shore (Caroline, Kent, Queen Anne's and Talbot counties)
- Lower Eastern Shore (Dorchester, Somerset, Wicomico and Worcester counties)

The Central region is the largest, with nearly 48% of the state's population, followed by the Capital region with 36%. The rest of the state, including the Western and Southern regions and the Eastern Shore comprises 16% of the population.

The economic impact of the arts is estimated separately for each sub-state region and for the state as a whole. The impact is measured in terms of the arts industry's annual contribution to the economy's output, employment, payroll and tax revenues. Total annual economic and fiscal impacts are the sum of transactions and activities at the arts events site, the impact of Maryland suppliers to the event-related activities, and the concurrent spending of increased payrolls in Maryland.

Economic Impact of Arts Organizations:

- 252 arts organizations reported their data in FY 2010.
- The arts organizations generated \$209 million in direct spending on goods and services.
- The arts organizations generated \$90 million in direct salaries and fringe benefits.
- The arts organizations reported a total of 1,215 full-time employees and 3,321 part-time employees.

Economic Impact of Visitor Spending:

- The arts organizations reported that 7.6 million people attended arts events, classes and workshops.
- The 7.6 million visitors are estimated to have generated \$292 million in direct spending on goods and services, 4,299 direct jobs and \$94 million in salaries.

Economic Impact including Operations and Visitor Spending:

- Arts organizations generated a total \$501 million in direct spending and a total economic impact of \$1 billion.
- 10,671 total full-time equivalent jobs were generated by the arts organizations in FY 2010.
- Total arts related employment generated \$385 million in salaries in FY 2010.
- The arts organizations generated \$36.5 million in state and local taxes in FY 2010.

Arts Organizations in Maryland

According to the Maryland State Arts Council, 252 Maryland non-profit organizations provided arts products and services in FY 2010 (Table 1). About 50% of these organizations, or 126 establishments, were engaged in performing arts activities. Multidisciplinary arts organizations make up about 39% of the organizations surveyed, with 99 establishments. Finally, visual arts organizations, represented by 27 establishments, comprised the remaining 11% of the Maryland's arts industry. The Central region had the largest concentration of the non-profit arts organizations (51% of all organizations), followed by the Capital region (27%), Upper Eastern Shore (7%), Western Maryland (7%), Lower Eastern Shore (4%), and Southern Maryland (4%).

Based on population, there are approximately 4.4 organizations per 100,000 in the state, with larger concentrations per population base in the Eastern Shore (6.5) and Western Maryland (6.7)

Annual Operating Income of Non-Profit Arts Organizations

Arts organizations reported total income of \$232 million in FY 2010 (Table 2), a 37% increase over FY 2009 revenues. About 45% was earned revenue from various program activities including events, classes, touring, sponsorships, subscriptions, etc. *Earned revenue was more than twice that of FY 2009.* The largest revenue gains over 2009 were from investments, which had seen a severe downturn in 2009. Also income from rentals increased over 2009.

Fundraising and public support declined nearly 5% from 2009. Federal, state and local government grants amounted to about 18% of total income, down from almost 30% in FY 2009. While funding from the State of Maryland was down 7% from 2009, county funding was down 14% and city funding down 21%, with fundraising events down 10%. Other support from foundations, corporations and individual contributions represent the remaining 34% of revenue. Individual donations were up 12.3%, corporate donations up 20% and foundation support up 11.0% over FY2009. Individual donations made up 10% (\$22.6 million) of total revenues, corporate support made up 3% (\$6 million) and foundation support made of 7% (\$15.7 million) of total revenues.

The arts organizations of the Central and Capital region reported the largest operating income, with 93% of total income reported by all arts organizations. The arts organizations of all other regions accounted for the remaining 7% of the operating income.

Employment at Maryland's Arts Organizations

In FY 2010, arts organizations reported 3,296 full-time and part-time employees in Maryland, 27% fewer than in FY 2009. Table 3 summarizes the distribution of paid personnel by region and by type of occupation. The arts organizations reported that 31% of employees were full-time, and mostly in operations positions. Part-time

operations and artistic positions made up 69% of the paid employment. The arts organizations of the Central region reported 59% of the state's total arts employment and the Capital region accounted for 31% of the arts employment.

Annual Operations Expenditures of Arts Organizations

Expenditures by non-profit arts organizations were estimated to total \$209 million in FY 2010, a decrease of 9% from FY 2009. The distribution of annual operating expenditures of Maryland arts organizations by region and by type of activity is highlighted in Table 4. The average operating budget for non-profit arts organizations in the state is \$831,240 and ranges from \$128,000 in Southern Maryland to over \$1 million in the Capital region.

Economic Impact of the Arts Industry

To estimate the economic impact of the arts industry, only spending that occurs in Maryland has been included. The economic impact is measured in terms of additional output or sales, employee income and employment generated in Maryland resulting from: 1) annual operating expenditures of the arts organizations, and 2) annual expenditures of the arts audience occurring outside the arts organizations. The direct economic impact also includes corresponding direct employee income and employment generated by the arts organizations and their visitors. To avoid double counting of the economic impact, all audience expenditures that take place inside the arts organizations, and are therefore included in the annual operating budget of these organizations, are excluded from the analysis.

The direct expenditures associated with the annual activities of the arts organizations generate substantial secondary economic benefits in Maryland. Secondary impacts include both indirect and induced economic activities generated statewide in response to those initial expenditures. The indirect impact is generated by Maryland industries supplying the input needs of the local vendors selling directly to the arts organizations and their audience. The induced impact results from the increased demand created by the employees of the arts industry and the employees of its suppliers spending their incomes in Maryland. The total economic impact of the arts industry is the sum of direct and all secondary economic impacts. In this report, the impact on employment is represented in terms of annual full-time equivalent jobs. Therefore, in all impact tables, part-time jobs have been converted into full-time equivalents.

Arts Organizations

The direct economic impact of arts organizations corresponds to the operating expenditures and salaries paid by the organizations. Direct employment impact is expressed in terms of full-time equivalent jobs. The direct impacts distributed by region are presented in Table 5. In FY 2010, expenditures by the arts organizations directly generated approximately \$209 million in gross sales, \$91 million in employee

income and 2,449 full-time equivalent jobs. Performing arts organizations generated 40% of the total impact from operations, and multidisciplinary arts another 39%.

The total economic impact of arts organizations includes the direct and secondary impacts. The total impacts distributed by category and region are presented in Table 6. In FY 2010, expenditures by these arts organizations generated approximately \$435 million in gross sales, \$197 million in employee income and 4,244 full-time equivalent jobs.

Arts Audience

Visitors to Maryland's non-profit arts organizations generate significant economic impacts for the state. In FY 2010, an estimated 7.6 million people visited the non-profit arts organizations surveyed by MSAC. One-third of the visitors attended paid events. The audiences for multidisciplinary arts organizations averaged 5.1 million and accounted for nearly 68% of the arts audiences statewide, with 75% of those audiences attending free events. While total attendance at arts organizations was down 14% over 2009, the number of school children and school groups increased by 23%.

Performing arts organizations drew roughly 20% of the arts audiences (about 1.5 million visitors), with 71% of those audiences attending paid events. The visual arts organizations accounted for the remaining 12% of the arts audiences statewide (900,000 visitors), with 86% of audiences attending free events. The distribution of the arts audiences in Maryland by region is highlighted in Table 7. The Central region, with 3.6 million visitors, generated a larger share of the arts audience than the Capital region with 3.3 million visitors.

Based on the number of visitors to Maryland's non-profit arts organizations, Maryland's Department of Business and Economic Development (DBED) estimated spending of \$292 million on lodging, transportation, restaurants, gifts, and other travel-related incidentals in FY 2010. These expenditures in turn generate about \$94 million in direct employee income and nearly 4,300 direct jobs statewide (Table 8). Table 9 summarizes the **total** economic impact of the arts audience in Maryland by region. In FY 2010, visitors to Maryland's non-profit arts organizations generated a total of \$565 million in gross sales statewide. These expenditures generated about \$188 million in total employee income, and 6,427 full-time equivalent jobs.

Arts Industry

The economic impact of the arts industry as a whole combines the impacts of both arts organizations and arts audiences. Arts audience expenditures account for a large portion of the industry impact, generating 62% of the total jobs, 56% of the sales and 51% of salaries. The total economic impact of the arts industry, which is the sum of the total impacts by arts organizations and arts audience, is presented in Table 10. In

FY 2010, the arts industry generated approximately \$1.0 billion in total gross sales, about \$385 million in total employee income, and about 10,671 full-time equivalent jobs statewide.

Multidisciplinary arts organizations generated the largest total economic impact – representing 56% of gross sales, 51% of employee income, and about 49% of full-time equivalent jobs statewide.

Fiscal Impact of the Arts Industry

The employment and income generated by the arts industry translate into revenues for the state. The fiscal impact, or tax impact, represents annual state retail sales tax and personal income tax receipts from the expenditures generated at all levels—direct, indirect, and induced—by the artistic activities of Maryland's non-profit arts organizations. The fiscal impact also includes local receipts from the personal income surtaxes. State retail sales tax receipts include tax revenues from direct expenditures generated by the events held at the arts organizations. These expenditures include monies spent on lodging, food and beverages, transportation, and all other event related expenses by the arts audience. In addition, state retail sales tax receipts comprise tax revenues generated by the employees of the arts organizations and the employees of all other supporting businesses spending their disposable incomes on taxable goods and services in Maryland.

Table 11 highlights the direct, indirect and total fiscal impact of the arts industry in Maryland. Overall, Maryland's non-profit arts organizations directly generated an estimated \$23 million in selected annual state and local tax revenues in FY 2010. Including indirect effects, these organizations generated \$36.5 million was in state and local taxes in FY 2010.

Statistics for this study represent activities for FY 2010 and were drawn from 252 Maryland organizations that produce or present the arts around the State and receive grants from the Maryland State Arts Council for ongoing support of their operations and programs. The study does not include the economic impact of private arts enterprises or individual artists. The study was conducted by the Department of Business & Economic Development (DBED) utilizing Maryland Cultural Data Project data supplied by the grant recipients.

Table 1: Number of Non-Profit Arts Organizations, FY 2010

Region	Multidisciplinary Arts	Performing Arts	Visual Arts	Total
Central	44	70	15	129
Lower Eastern Shore	4	3	3	10
Southern	4	5		9
Upper Eastern Shore	8	10	1	19
Capital	31	30	7	68
Western	8	8	1	17
Total	99	126	27	252

Table 2: Revenues of Arts Organizations, FY 2010

Region	Earned Revenue	Government Support	Special events/ Fundraising	Individual	Corporate support	Foundation support	Other*	Total Revenues
Central	70,031,738	27,370,371	2,933,921	15,676,057	4,040,379	11,326,605	11,116,408	147,032,085
Lower Eastern Shore	973,496	1,035,999	81,039	322,563	53,870	108,007	717,302	3,292,276
Southern	405,633	362,343	64,960	32,624	208,415	3,000	166,962	1,243,937
Upper Eastern Shore	3,064,937	899,394	267,760	675,465	155,939	136,495	900,886	6,303,464
Capital	26,726,257	12,750,157	1,710,598	5,106,732	1,415,155	4,032,608	15,723,452	68,564,239
Western	2,704,405	1,092,446	171,319	757,514	95,543	102,944	700,061	5,979,526
Total	103,906,466	43,510,710	5,229,597	22,570,955	5,969,301	15,709,659	29,325,071	232,415,527

*Other includes: trustee/board, parent, in-kind, net assets released

Sources: Maryland State Arts Council, Maryland Cultural Data Project, Fiscal Year 2010

Department of Business and Economic Development Office of Research

Note: FTE denotes full-time equivalent jobs.

Table 3: Number of Paid Personnel of Arts Organizations, FY 2010

Region	Operations Full time	Artistic Full time	Operations Part time	Artistic Part time
Central	672	115	805	775
Lower Eastern Shore	17	0	21	0
Southern	3	0	8	0
Upper Eastern Shore	21	0	18	0
Capital	339	24	1,206	218
Western	24	0	44	227
Total	1,076	139	2,102	1,220

Table 4: Operating Expenditures of Arts Organizations, FY 2010

Region	Programs	Fundraising	General	Total
Central	87,075,033	8,757,157	29,044,884	124,877,073
Lower Eastern Shore	1,488,454	59,642	1,325,664	2,873,760
Southern	817,137	29,001	307,067	1,153,205
Upper Eastern Shore	4,213,636	482,271	1,341,316	6,037,223
Capital	49,483,953	3,807,155	16,381,165	69,672,273
Western	2,930,420	267,923	1,660,678	4,859,021
Total	146,008,633	13,403,148	50,060,774	209,472,555

Table 5: Direct Economic Impact of Arts Operations, FY 2010

Region	Gross Sales	Employee Income	Employment FTE Jobs
Central	126,904,833	58,314,039	1,667
Lower Eastern Shore	2,873,760	1,023,147	19
Southern	1,153,205	214,095	2
Upper Eastern Shore	5,882,893	1,473,023	22
Capital	68,066,522	27,784,050	687
Western	4,571,306	1,975,398	53
Total	209,452,519	90,783,752	2,449

Sources: Maryland State Arts Council, Maryland Cultural Data Project, Fiscal Year 2010
Department of Business and Economic Development Office of Research
Note: FTE denotes full-time equivalent jobs.

Table 6: Total (Direct and Indirect) Impact of Arts Operations, FY 2010

Region	Gross Sales	Employee Income	Employment FTE Jobs
Central	262,274,087	126,676,775	2,742
Lower Eastern Shore	6,164,250	2,178,159	45
Southern	2,343,730	448,188	12
Upper Eastern Shore	12,066,512	3,106,785	71
Capital	143,144,452	59,977,507	1,282
Western	9,484,270	4,283,195	92
Total	435,477,303	196,670,609	4,244

Table 7: Arts Audience, FY 2010

Region	Multidisciplinary	Performing Arts	Visual Arts/ Design	Total
Central	2,148,799	893,648	592,668	3,635,115
Lower Eastern Shore	35,578	6,135	18,847	60,560
Southern	5,255	57,442		62,697
Upper Eastern Shore	148,910	27,460	75,000	251,370
Capital	2,660,522	465,891	160,402	3,286,815
Western	147,200	92,116	47,219	286,535
Total	5,146,264	1,542,692	894,136	7,583,092

Table 8: Direct Economic Impact of the Arts Audience, FY 2010

Region	Gross Sales	Employee Income	Employment FTE Jobs
Central	139,849,496	45,169,343	2,061
Lower Eastern Shore	2,329,854	752,509	34
Southern	2,412,068	779,063	36
Upper Eastern Shore	9,670,662	3,123,482	142
Capital	126,449,761	40,841,424	1,863
Western	11,023,523	3,560,437	162
Total	291,735,364	94,226,258	4,299

Sources: Maryland State Arts Council, Maryland Cultural Data Project, Fiscal Year 2010
 Department of Business and Economic Development Office of Research
 Note: FTE denotes full-time equivalent jobs.

Table 9: Total (Direct and Indirect) Impact of the Arts Audience, FY 2010

Region	Gross Sales	Employee Income	Employment FTE Jobs
Central	271,096,374	90,099,978	3,081
Lower Eastern Shore	4,516,390	1,501,040	51
Southern	4,675,761	1,554,008	53
Upper Eastern Shore	18,746,448	6,230,458	213
Capital	245,121,166	81,467,012	2,786
Western	21,368,952	7,102,058	243
Total	565,525,092	187,954,555	6,427

Table 10: Total Economic Impact of the Arts Industry, FY 2010

Region	Gross Sales	Employee Income	Employment FTE Jobs
Central	533,370,461	216,776,753	5,823
Lower Eastern Shore	10,680,640	3,679,199	96
Southern	7,019,491	2,002,196	65
Upper Eastern Shore	30,812,961	9,337,243	284
Capital	388,265,619	141,444,519	4,068
Western	30,853,223	11,385,253	335
Total	1,001,002,395	384,625,164	10,671

Table 11: Fiscal Impact of the Arts Industry*, FY 2010

Category	Direct	Indirect	Total
State Taxes			
Retail Sales Tax	14,236,517	2,664,737	16,901,253
Personal Income Tax	4,878,985	6,609,242	11,488,227
Local Taxes			
Personal Income Surtax	3,228,848	4,238,151	7,466,998
Hotel Tax	618,504	-	618,504
Total of Selected State and Local Taxes	22,962,853	13,512,130	36,474,983

*Arts Industry: Includes both arts organizations and arts audiences

Sources: Maryland State Arts Council, Maryland Cultural Data Project, Fiscal Year 2010

Department of Business and Economic Development Office of Research

Note: FTE denotes full-time equivalent jobs.